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*Economic Policy Reform and
Competitiveness Project*

MONGOLIAN FIBERMARK SOCIETY

THREE YEAR BUSINESS PLAN
/2008-2010/

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ABBREVIATIONS AND ACRONYMS

ADB	Asian Development Bank
CEO	Chief Executive Director
CCMI	Cashmere and Camel Hail Manufacturers Institute
EU	European Union
EPRC	Economic Policy Reform and Competitiveness project
ICA	International Color Authority
NY	New York
PR	Public relations
SGS	Social General Surveillance

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EXECUTIVE SUMMARY

The Mongolia Fibermark Society is a non-profit organization operating as a business association for the cashmere industry. The mission of the Society is to develop the domestic industry's competitiveness, to promote Mongolian cashmere in international markets by protecting the reputation of Mongolian fiber, and implementing associated marketing activities.

Organization & Management

The Fibermark Society was founded in 2002 as the Mongolian Wool and Cashmere Promotion Society operating under the name "Mongolian Fibermark Society." The current management team consists of one Executive Director and nine Board of Directors members; the Society maintains its head office in Ulaanbaatar. Its current charter outlines preliminary corporate governance including supervision, Board of Directors' roles and powers, decision-making processes and financing options.

Market opportunity

The growing international market for cashmere represents a tremendous opportunity for Mongolia in terms of growth in income and jobs. In addition, unlike the other great export successes in mining, cashmere provides jobs all along the value chain, significantly among the herders, a group particularly vulnerable to the globalizing economy.

Mongolia already has a proven competitive advantage in the market. Mongolian cashmere exports already have a foothold on the international markets with nine significant exporters in 2006. In fact, Mongolia is the third largest exporter of cashmere in the world. In addition, the "Mongolia" brand in general holds a positive image internationally as a pastoral, eco-clean land on. And. For these reasons, the Mongolian cashmere industry must act now to position itself in the market.

The Fibermark Society will help Mongolian cashmere producers by capitalizing on Mongolia's competitive advantage in this high-end segment of the international apparel industry by increasing export volumes, increasing the price reaped, improving production methods, and providing valuable collective marketing platforms. Projections estimate that Fibermark Society will add a significant percentage in added value to the cashmere industry once all programs are in place. By current estimates, this will bring 10-30% in additional sales and profits to the industry within the first two years.

Services

To achieve its mission, the Society's core function is to develop the Mongolian cashmere brand. On behalf of its member companies, the Society will provide a range of services which fall into four categories: brand management/certification, marketing, training and communications.

- *Certification mark management.* Fibermark Society will develop and market the made in Mongolia certification mark and brand. The association owns the intellectual property associated with two certification marks: the 100% Mongolian cashmere mark and the Mongolian cashmere blend mark (indicating at least 50% Mongolian cashmere). Specific activities will include: defining brand standards, launching a certification program, partnering with an independent certification laboratory and implementing an ongoing plan to maximize return on the brand.

- *Marketing.* The Fibermark Society will undertake promotional campaigns to benefit members including: appearances at trade show, international advertising placement, press relations and selected linkages with purchasing agents.
- *Training.* To maximize productivity and members' participation in the brand management campaigns, a series of trainings will be sponsored by the Fibermark Society. These could include: production methods, new technologies, marketing training and others.
- *Communications.* This includes supplying regular news and industry updates (such as market intelligence) to members. The Fibermark Society will also maintain a sophisticated, dynamic web site. In addition, the Society will serve as a liaison with key international cashmere organizations.

All Fibermark Society activities work toward the ultimate goal of increasing sales, profit and jobs for the Mongolian cashmere industry.

Financial considerations

The Fibermark Society is pursuing a new funding model to expand its scope of activities. In the past, the organization has survived on minimal funding. To date, operating costs which include mainly salaries, office expenses and web site upkeep are financed mainly by a small grant.

The new strategy will be based upon a fee-based revenue model, including membership, application and per-unit license fees. Assistance from international development partners will provide necessary start-up financing in the next three years. In the long run, the Fibermark Society strives for independent financial sustainability.

Table 1: Fibermark Society funding sources

	2006	2007	2008	2009	2010
1.Partners	100%	100%	55%	0%	0%
2.Membership fees	0%	0%	9%	20%	18%
3.Application/Renewal Fees	0%	0%	20%	46%	50%
4.Brand Certification Marks	0%	0%	16%	34%	32%
Total	100%	100%	100%	100%	100%

In addition to operating costs, the Fibermark Society will implement strategic projects and activities which will require diverse funding sources. These include the launch of training activities, market research and marketing programs. Basic activities are included in this business plan; additional activities will be industry-funded by individual participating firms, or co-funded by international partners and/or donors.

Table 2: Fibermark Society projected budget (US\$'000)

INCOME	2008	2009	2010
1. International Partners	62,500	-	(50,000)
2. Membership Fees	10,200	32,000	41,000
3. Application/Renewal Fees	22,600	72,400	111,000
4. Brand Certification Marks	18,000	54,000	72,000
<i>Total</i>	113,300	158,400	174,000
EXPENSES	2008	2009	2010
Salaries	39,294	54,903	57,648
Overhead	11,769	12,220	12,693
Equipment	5,000	2,000	2,100
Legal costs	22,000	20,000	18,000
Cost of licenses	1,000	3,000	4,000
Marketing activities	29,000	33,750	35,438
Training programs	5,000	32,000	45,000
<i>Total</i>	113,063	157,873	174,879

Immediate objectives

The Fibermark Society is seeking to achieve the following objectives by end of 2007.

- Complete recruitment for key management positions
- Solidify international partners
- Finalize Fibermark Society strategic plan
- Devise, obtain buy-in and implement new fee structure for membership & licenses
- Create and begin implementation of brand management strategy
- Continue to explore options for launch of new independent testing laboratory

Keys to success

- Members' commitment to working together to protecting the Mongolian brand
- Maintenance of dependable quality standards
- Launch of cooperation with international partner in testing Mongolian cashmere
- Effective strategy to differentiate from competitors (e.g. China)

SECTION I: STRATEGY AND COMPETITIVE ADVANTAGE

The Fibermark Society will promote quality standards and implement supporting marketing campaigns for the cashmere industry both domestically on the Mongolian market and internationally. The main international target consumers for Mongolian cashmere are the European Union, the US and Japanese markets. The domestic cashmere market in Mongolia accounts for a significant amount of the total cashmere market and allows producers to augment cash flow. Domestic sales are made generally through factory or retail stores; (this is also sometimes referred to as indirect exports as sales are mostly taken out of the country by consumers living abroad).

This section identifies the country's competitive advantage in cashmere, and then proposes the strategy for maximizing benefits from this competitive advantage. This includes the establishment of a certification mark, as well as two supporting project areas: facilitation of the creation of an independent testing laboratory and implementation of a collaborative marketing and promotion program. The approach laid out in this section forms the underpinning of the strategy underlying all the activities of the Fibermark Society as described in the rest of the business plan.

Mongolia's competitive advantage

Mongolia's main competitor on the international cashmere market is its neighbor, China. Iran and Afghanistan also produce competing inputs for cashmere while Italy and the United Kingdom are major players at other points in the value chain.

Mongolian cashmere is uniquely positioned on the international market to grow rapidly. To do this, it must capitalize on its major advantages. Product positioning, targeting the correct markets and raising quality standards are essential to success. Mongolia's advantages and differentiation as it relates to its competitors can be articulated in the following areas:

- *The last, great wilderness.* Mongolia's international reputation is growing as an untouched, vast land ripe with natural wonders. As ecotourism interest grows, this image is becoming even more enhanced. International consumers are enchanted by Mongolia with its preserved pastoral society and its large proportion of the population still living as nomads. The modern, increasingly automated consumer society finds this image nostalgically and sensually appealing.
- *Environmentally friendly.* Environmentally observant business practices are increasingly important. Mongolia's nascent production value chain has the potential to enjoy an environmentally positive image, which the Fibermark Society must help to enhance.
- *Ethical.* Adherence to ethical production and business practices is becoming increasingly important. Mongolia is perceived to be relatively ethical to its main competitor, China.
- *Quality.* Mongolian cashmere can be processed into a garment that is extremely desirable from the consumer's point of view. At the moment, certain Chinese cashmere is considered the highest of quality; however, when processed correctly, the Mongolian fiber can match or beat this competition, according to experts in a recent comparative cashmere handle assessment.
- *Certification mark.* The Fibermark Society has successfully registered its trademark in the EU and in Japan; the process is underway in the US. Obtaining ownership of this

legal mark is a strong base from which the industry can launch a widespread marketing campaign.

- *Not China.* Mongolia's biggest competition ironically presents its greatest strategic advantage. As China's performance on quality, human rights and environmental standards have been questioned and grievous infractions have been uncovered, its products' international reputations have been hurt. In contrast, Mongolia's reputation as a clean, positive unspoiled land offer a great alternative to main market nemesis China.

Mongolia must capitalize on this unique, beneficial positioning by branding its image and communicating to buyers worldwide the advantages of its cashmere.

Create value from the certification mark

The Fibermark Society proposes to establish a certification mark that will be attached to cashmere products to guarantee a product's quality, ethical and environmentally-friendly production and origin. The Fibermark Society's business strategy focuses on establishing standards for this certification mark, creating methods to ensure these standards are enforced and subsequent marketing.

Definition of marks. Two types of certification mark will be created: one for "100% Mongolian Cashmere", the other for a "Mongolian Cashmere Blend", containing at least 50% Mongolian cashmere. Both certifications will be held to the same other ethical, environment and quality standards. Preliminary guidelines for these standards have been proposed, though the Board of Directors must finalize the optimal standards, with support from legal and marketing technical experts. Preliminary discussions on standards conclude that the certification market will contain the following priorities characteristics:

- *Origin from Mongolia.* The geographic location of production of cashmere is the characteristic that determines whether a product receives the 100% or Blend mark. The percentage is calculated on value added of production. Inspections of origin are proposed to entail provision of invoices and deliver/receipt or import/export statements. The exact method of implementation of this inspection is to be determined.
- *Quality of product.* The 100% and Blend labels contain different quality determinations. To qualify for the Pure certification, the product must meet the following parameters: a) purity: contain no more than trace levels (defined as 1%) of non cashmere fibers b) fineness: for knitwear – an average diameter of no more than 17 micron; For woven – an average diameter of no more than 17.5 micron c) coarse hair content: for knitwear – no more than 0.5%, for woven - no more than 1%. To qualify for the Blend certification, the product must meet the following parameters: a) cashmere content – no less than 50%; b) Labeling – include accurately and transparently other fiber blend components. (Note that different definitions of quality standards are demanded by the US, EU and Japanese markets, which will have to be taken into account when defining requirements.)
- *Ethical and environmentally friendly production.* Again, Mongolia has an opportunity to differentiate itself from neighboring China which is gaining a reputation for unethical and environmentally un-friendly business practices. Adoption and monitoring of guidelines for members to follow will facilitate keeping up to these standards.

The Board may choose to adjust this definition in working with international and local branding and intellectual property experts.

Definition of technical requirements. These must be established by the local laboratory keeping in mind that Mongolia targets several different international markets (US, Europe and Japan) which have different required standards. Fibermark Society will work with the laboratory to pursue these issues:

- Establish for what products the label is to be granted (fibers, yarns, knitwear, garments, blankets, carpets, etc);
- Establish the conditions under which the label is granted, in terms of quality of the product. This involves the development of a quality specification for each type of product for which the label is to be awarded. The specifications would contain properties which are usually demanded for similar textile products, the internationally agreed test methods (or those specially developed) for carrying the measurements and the minimal values required for receiving the label.
- Create a market control mechanism to containing fakes.

These actions can be elaborated, developed collaboratively between the Fibermark Society and the testing lab implementer.

Regulations and inspection of mark distribution. Preliminary regulations have been proposed. First of all, to obtain Mongolian Fibermark Society permission to use the registered marks, producers must:

- Be a member of the Society and be current on membership dues, or pay premium price for non-member marks (new members are incentivized to join in order to access lower price structure; however, with the premium pricing option, non-members also will be able to obtain the mark; this also allows potential new members to test the market impact of attaching the Fibermark to their products).
- Show proof of the purchase of cashmere of Mongolian origin such as a certificate of origin from Mongolian Chamber of Commerce or invoice from an authorized re-seller of Mongolian cashmere
- Send a product sample for inspection and testing by the society for each new product for which licensing is requested
- Agree to spot checks of production facilities, raw material storage and processing facilities, and random sampling of manufactured products off the shelf.
- Pay an annual licensing fee which covers cost of product testing, spot checks, and reinforcement. Manufacturers producing significant quantities of finished products may apply for bulk licensees

Once a licensee has passed these requirements and inspections successfully, they receive either a hand-tag or label for each unit. These are subject to the following regulations:

- Hand-tags and labels bearing Mongolian cashmere marks can be purchased only from Mongolian Fibermark society after signing licensing agreement.
- Any advertisements of the marks shall obtain pre-approval from the Fibermark Society.
- It is a licensee responsibility to make sure that all products wearing marks should be consistent with the standards set in this regulation.

Further discussion is required to optimally configure these regulations. A Board working group supported by technical assistance will be charged with finalizing before program launch.

One alternative for inspection that was recommended was that competitors be allowed to submit samples of product (purchased at rivals' stores) for inspection on a periodic basis.

This is the method used by Woolmark of Australia; however, because wool is a much more mature market than Mongolian cashmere, this may not be feasible in the short term.

Value added components

Discussions with international and domestic buyers assure that this mark will add value to the Mongolian cashmere product.

Based upon industry survey, the mark can significantly increase sales to major markets in EU, Japan and US. These buyers are expected to purchase larger and more frequent orders of certified products once their quality is assured. Previously (and currently), inconsistent quality previously posed barrier to Mongolian exports. Importantly, the mark provides a powerful differentiation from competitors and increased credibility on international market. This then allow better bargaining power for Mongolian producers and thus higher prices and more profits for Mongolian cashmere companies directly.

Legal protection

The Fibermark Society has made much progress in the protection of its legal rights for the establishment of the certification mark (intellection property protection). Enforcement and monitoring have also been explored. Protection of ownership of the marks is under Trademark and Geographical indications law of Mongolia. In addition, the trademark has been successfully acquired for the European Union and for Japan. (See Annex A for legal trademark documents). The legal application process has also begun for the United States.

Coordination with an international industry association, the Cashmere and Camel Hair Manufacturers Institute (CCMI) will be helpful in providing guidance and support in enforcement of the certification brand. Such legal processes require both infrastructure and expertise which the Fibermark Society cannot contain in-house. This international partnership will be essential in the upkeep of the brand. CCMI have expressed great interest in helping to establish and enforce the Mongolian brand, as increasing quality standards in this major producer has a positive effect on the industry as a whole.

To establish the brand and fully capitalize on the benefits of establish this certification mark; the Fibermark Society proposes two main areas of project activities for focus in the launch years of this business plan 2008-2010. The following two sections expound on the benefits, financing and implementation plans for 1) creation of an independent certification laboratory and 2) the launch of a collaborative industry marketing and promotion program. These are described in the following two sections.

SECTION II: INDEPENDENT TESTING LABORATORY

The success of the certification mark relies on the certification of quality and origin standards. To maintain quality standards, routine and efficient testing of fiber content by a qualified testing lab is the only assurance of accurate labeling.

Recently, Intertek Group plc, one of the leading international testing companies, completed a comprehensive feasibility study for a testing lab in Mongolia. The results bode well for the possibility of developing a financially self-sustaining laboratory in Mongolia focused on cashmere.

Necessity for independent lab

Methods for testing cashmere do currently exist in Mongolia as well as reliable international outsourcing options; however, these have all been deemed too costly and inaccurate for international export standards.

Existing labs in Mongolia. Currently, several such labs exist in Mongolia but these have all been deemed to be insufficient. These are either operated by the government (the Textile Institute) or within cashmere producing firms. These current options lack modern and operational facilities. Another quality which is of utmost important for such a laboratory is its independence from political, social or business interests. The current labs within Mongolia suffer one or all of these deficiencies.

Outsourced international testing. The most reliable method of laboratory testing that Mongolian manufacturers are using is to ship products to SGS Shanghai or to a facility in Japan; these options, however, though independent and reliable are both costly and time consuming.

The Fibermark Society recommends setting up an independent testing laboratory in Mongolia. The entity will be an independent, non-governmental organization with its own set of financial operations. Such a lab would service all cashmere products produced for both the domestic and international market.

Feasibility study

Two technical consultants from Intertek recently performed an analysis of financial, human resource and other requirements for setting up and operating an independent testing laboratory in Mongolia. The study included: 1) an assessment of the target Mongolian clients and demand for services; 2) a list of necessary technical equipment; 3) a four phase roll out implementation strategy; 4) a proposed pricing structure; and 5) investment requirements.

Demand for services. Four categories of core customers were identified largely focused on the cashmere industry and associated cashmere testing needs. These include: a) cashmere manufacturers with an estimated annual testing volume (submission of test samples) of between 500 and 1,500 samples; b) other cashmere traders including exporters, domestic and international retail buyer with an estimated annual testing volume of between 500 and 1,500 samples; c) cashmere herders with a possible annual testing volume estimated from 600 to 3,000 samples; and d) the Mongolian State Specialized Inspection and the e) Customs Agency.

Equipment. A comprehensive list of equipment was included in Intertek's study. Cost of equipment will be a major financial outlay in the launch of the lab, thus estimating the requirements was a crucial contribution of the study. Recommended equipment was listed in the study for each proposed phase of the lab's four-phased implementation.

Proposed fee structure for testing services. In Europe and North America, complete cashmere testing services range from US\$200 to \$600 per sample, depending mainly on product category, value, volume and price. While in the Far East, including Hong Kong and China, a comparable test costs around US\$50 to \$60 a sample. The study concludes that a general testing fee ranging from \$60 to \$200 will be appropriate for Mongolia. A basic test would cover cashmere fiber identification; a complete package of testing would include color fastness, pilling, tensile strength, care labeling evaluation.

International funding partnership not most advantageous. The ADB has possible funding mechanisms in place to co-finance such projects as the laboratory. Cashmere is one area that has been identified as high potential. However, at this stage it seems a private investor would be better off financing the full laboratory. Interest from potential international investors shows that they are willing to invest without such donor support, relieving the lab or possibly disruptive administrative burdens.

Four phased implementation. The consultants proposed a four phased roll-out. Intertek projects that the venture will recoup its investment “within three years.” The phases would be as defined as:

1. **Phase 1: Establishment of the Cashmere Testing Laboratory.** Testing in this phase would be deemed “Level 1” and would include: fiber identification and fiber content test, fiber diameter, fiber length, single fiber strength, moisture content, coarse fiber content, foreign matter content and grease content.
2. **Phase 2: Semi-Processed & End-Product Testing Facilities:** Once the phase 1 testing capabilities are established, then phase 2 will handle these additional textile testing items: color fastness, dimensional stability, strength, length, pilling resistance, abrasion resistance and flammability.
3. **Phase 3: Establishment of Eco Test Laboratory.**

Separate financially from Fibermark. All lab accounting (sales, expenses) will operate as a separate entity, not connected to the Fibermark Society. The lab will partner with Fibermark during implementation with exactly financial contributions to be determined at a later date.

Joint Fibermark/testing lab activities. Though financially and legally separate, Fibermark will maintain a close partnership with the testing lab; both entities will support each other in various ways. These may include:

- Fibermark Society owns the Mongolian Cashmere certification mark; the testing lab will determine whether samples pass the necessary standards to achieve the mark. The two entities must work together to establish these standards.
- Potential implementers of the testing lab such as Intertek have extensive experience in promoting and protecting brands; this will be useful in working with Fibermark.
- Fibermark and the testing lab may work together on the domestic level to increase membership in the Society and client base for the testing lab.
- Fibermark Society members may have special access or discounts to testing lab services.
- The two entities may choose to implement joint marketing and promotion campaign both on a domestic and international level.

SECTION III: MARKETING AND PROMOTION PROGRAM

Leadership by the Fibermark Society is essential to properly implementing this marketing program. The program will implement activities, with the implicit participation of its members, to promote and establish the brand.

An upfront definition is necessary of what the end message to the consumers and how this will be communicated. An agreement on this positioning is necessary as the brand's communications may come in the following forms on garments and point of sale items:

- Swing tickets containing the Mark
- Embroidered labels combining the brand label and the Fibermark label such as Gobi made with 100% Mongolian cashmere, Mongolian Fibermark guarantee
- Retail co-branding, such as Brooks Brothers/Mongolian Fibermark accredited
- Retailers certified as Mongolian Fiber mark accredited distributors
- Counter stickers/shields denoting Mongolian Fiber mark Distributor.

The proposed marketing program is based on the assumption that the restructuring of the Society has been accepted and is under implementation. That is that a full time, independent and professionally competent Executive Director has been appointed, with support staff in place or being recruited.

It should be noted that funding for these activities will derived partially from the Fibermark Society budget, as well as directly from participating members and international partners (e.g. donors).

Guiding principles. This plan must be implemented as soon as possible to maximize return on current opportunities. Some guiding principles to keep in mind include:

- *Focus on export markets.* Promotion of the Mark is of most relevance only in export markets, whether they be direct exports – to third party countries, or indirect exports – to the fast growing tourist market, or to the expatriate community, also fast growing.
- *Marketing skills enhanced.* As buyers are increasingly looking to Mongolia to source cashmere, Mongolian companies need to learn export the required skills and methods to meet their needs.
- *Donor funding.* International support agencies including the Asian Development Bank and the European Union are exploring efforts to “Brand Mongolia” as a means of differentiating Mongolia from the economic behemoth next door, China, and stimulating economic development and reducing poverty. The cashmere industry has been identified as a potential major contributor to this effort.
- *Timing.* The seasonality of the cashmere trade, at branded and brand-builder level, means that 2008 autumn is already under way. It is imperative that the Fibermark Society build its programs almost immediately to take advantage of these activities.

With this background and these guiding principles in mind, this plan proposes a schedule of press activities, exhibitions, advertising, public relation, intelligence gathering and dissemination and other local member services.

Exhibitions & advertising

It is becoming accepted that participation in key selling shows is both a means of generating business and of recruiting and directing sales staff or agents. The Fibermark Society should be responsible for organizing the participation of the companies in selected and agreed events,

and coordinating the activity from stand booking and building, travel and accommodation, pre-publicity, invitation and appointment booking and so forth.

Exhibitions fall into four suggested categories:-

- Exhibitions to be visited for update information and to meet other industry players
- Overseas exhibitions where Mongolian companies should be displaying/selling
- Domestic exhibitions where overseas buyers are invited to UB to see and buy from a variety of companies
- Mongolian cashmere fashion week (explained below)

Mongolia cashmere displays. Whilst this is an individual company responsibility to erect a display, a poor, unprofessional showing by just one player impacts on the reputation of the whole industry. Therefore a formal monitoring role is envisaged to maintain standards for exhibition.

Mongolian Fashion Week. An exclusive Mongolian fashion week is proposed to be organized by the Fibermark Society. This week would include a schedule of shows, tours and other events to introduce international buyers to the Mongolian products. This event would be held in Ulaan Bataar once or twice per year; this should coincide with the timing when major buyers visit their representative offices in Hong Kong. This should become a viable promotional vehicle for all the companies who wish to participate. The timing of such a “fashion week” may also be coordinated with the nature of the offer – to brand builders or to retailers buying Mongolian brands.

Advertising. We believe that it is beyond the financial scope of the Fibermark Society to undertake consumer advertising. Activity on behalf of the mark in promoting to the trade, through specific trade publications may be performed in conjunction with PR activity. Equally, any individual company activity in PR or advertising should be organized in conjunction with the Fibermark Society, and carry the mark where possible.

Other activities may also be implemented dependent upon financing and member commitment.

Press activity

Industry and retail related relations with the press are necessary at least on a monthly and also on an exceptional basis. This should be targeted at the trade press in European Union, North America, Japan and other target countries buying luxury goods including Australia, New Zealand, China, South Africa and Taiwan.

First news item. The first press release will of course be of the regeneration of the Society, background to the new CEO etc. Further stories should be built around inward buying missions, major business placed, celebrity visits and the like. The stories should be of retail and brand builder nature. As a contrast, much of the news in the Wool Record (produced by Woolmark) contains abstruse economics of the processing trade, which is of no interest to the fashion industries in New York or in London.

Seasonality. The Fibermark Society should develop and deliver stories which will attract the cashmere trade to Mongolia. This should be seasonally driven in advance of the buying seasons. It should be noted that the buying seasons, whilst commonly delineated by the consumer retail seasons of spring and autumn of the year, are to be worked as the buying-in seasons of the retailers/brand builders. These are different for these two categories of trade. This point is of vital importance when we discuss exhibitions, shows and buying missions.

Publications. As financial feasible, the Fibermark Society should build its press database.

This would include publishers such as:

- *World Textile Publications.* This covers publications such as Textile Month, International Dyer, Wool Record, Knitting International, Textile Horizons and other less relevant titles. (Perkin House, 1 Longlands Street, Bradford West, Yorkshire BD1 2TP. Tel: + 44 (0) 1274 378 800)
- *Drapers Record.* (33-39 Bowling Green Lane, London EC1R 0DA, United Kingdom. Tel: + 44 (0)20 7812 3765)
- *Conde Nast.* This major publisher produces leading fashion publications including Vogue magazine. Whilst these are ostensibly consumer publications, they are demonstrably of major trade importance.
- *Advanced Magazine Publications Inc.* Conde Nast Building, 4 Times Square, New York, NY10036.
- *Textile World USA.* which includes Textile Work Asia, Textiles Panamericanos, Textile World Blue Book. (2100 Powers Ferry Road, Suite 300, Atlanta, Georgia 30339, USA. Tel@ 770 955 5656.)
- *Menswear Publication, International.* (6300 Wilshire Blvd, #720, Los Angeles, CA 90048. Tel: 323 951 1807, 730 3rd Avenue, New York, NY 10017, Tel: 212 630 4700, 2 Piazza Cavour, Milan, Italy 20121, 9 Rue Royale, Paris, France 75008. Tel: 00 33 14 451 1290)
- *Textile Wirtschaft, Germany.* (Deutscher Fachverlag GmbH, Mainzer Landstrasse 251, D- 60326 Frankfurt-am-Main, Germany. Tel: 00 49 69 75 95 17 17)

Future fee for service model. In the future, Fibermark Society may perform press and advertising services on a fee for service basis for members. The Society could offer its comprehensive press outlet database and applicable graphic and writing skills as fee-based services. Thus, it could become an outsourced public relations agency for the industry or even for the individual companies.

Intelligence gathering and dissemination

This activity should cover seasonal development of color themes, fashion digests, major account movements and trade economics. To deliver this activity in a high quality manner the following activities are recommended:

- Subscribe to the influential trade journals such as ICA (International Colour Authority).
- Discuss mutual interests with the CEO of the newly resurgent Woolmark Company, and possibly join Woolmark, to access relevant news and exchange news for mutual benefit.
- Visit key trade shows including:- Premiere Vision, Moda In, Pitti Filati, Texworld and in year one, the apparel trade shows – Pret a Porter, SEHM, Herren Modewoche, and suchlike.

Inward buying missions

These would be deliverable in years two and three but the preparation work should begin year one by the CEO using the intelligence gathering missions to meet key retailers/brand builders at the exhibitions, to sell the idea of Mongolian Cashmere fashion weeks and to determine the necessary timing for each buying model and to assess the invitation lead time for each.

Key trade shows

Having a presence at key trade shows would provide a great leap in marketing presence for Mongolian cashmere. Suggested shows to target include:

- Magic, the Piers in NY
- Hong Kong in Co-operation with Hong Kong Trade Development Association
- Pitti Uomo and Pitti Donna in Italy

These may not be deliverable in some cases until 2009; such are the waiting lists and lead times. Therefore the sooner they are started the better.

Mongolian national branding initiative

Financing for such events described above would benefit from coordination with the larger branding efforts underway. In particular, the ADB-financed branding initiative, set for launch in 2008 will be a valuable partner.

The ADB is launching a branding initiative (reportedly upwards of \$1 million) in conjunction with an experienced branding company, Wolf Ohlins, based in London.

Currently (as of October 2007), Wolf Ohlins is preparing a proposal for implementation of this branding initiative; this proposal that they are preparing will recommend a budget and set of activities. Through late 2007, the Fibermark Society is communicating with Wolf Ohlins to explore collaboration and related funding issues. It is expected that this branding campaign budget could contain many of the missions, shows and possibly other activities. Collaborative planning is essential to maximizing effects of these campaigns.

Other marketing-related services

The CEO will need to undertake the activities to deliver other fee services by undertaking all implementation services to organize these activities on behalf of the Society. The Board will determine whether a fee is to be charged for each service or whether the service should be rendered gratis as a benefit of membership.

- Color and design trend information service
- Economic and retailer information services
- Collator of bad account black list
- Agency search and appointment

These services may even become a significant source of income for the Fibermark Society in the longer term.

As laid out in the financial plan, core marketing activities will be financed directly by the Fibermark Society. Outside support will be sought to launch the greater program.

SECTION IV: ADMINISTRATIVE STRUCTURE

In order to implement the proposed business plan, a reorganized administrative structure must be implemented to revive the momentum of the organization. As a priority this involves reaffirming the role of the Board of Directors, updating the legal status of the Society and, most importantly, putting into place a new executive management team led by a dynamic Executive Director.

Charter/legal issues

As of October 2007, the Fibermark Society is established and organized under the terms of the charter formed in 2002. The charter sets out general provisions, goals, structure of the Society, Board powers, member rights, Executive Director and financing issues. Key elements of this charter are as follows:

- *Legal entity.* Legally provisioned as a non-governmental organization of Mongolia to operate under the name “Mongolian Fibermark Society.” The Society is bound to submit its balances and activity reports to a “respective authority.” This legal entity continues to be relevant to the new plan. However, ongoing legal advice may require updating or adding to the terms of the entity establishment.
- *Three fibers.* The mission of the Society is officially to promote cashmere, camel, and yak fibers. However, a first concentration was chosen in cashmere both due to administrative capacity and the belief that great opportunity exists on the international market. The new business plan recommends the continued focus on cashmere. Some integrated marketing is highly likely to occur with other fibers in the course of promotional activities. Collaboration should be welcomed, though primary efforts must focus within cashmere.

Membership. Eligible members and assigned rights and duties are laid out in the charter. During implementation of this plan, The Board must reassess these guidelines to fit implementation. This plan suggests a new membership fee structure which lends to effective incentives and participation. No fee structure is set out in the charter; it is the decision of the Board how to enforce these new requirements.

Activities. The charter mentions distinct suggested activities including working with international and local strategic partners, educating consumers and industry players, advertising on behalf of the industry, as well as the prime pursuit of pursuing certification standards for quality and origin of Mongolian cashmere. These activities are laid out and planned in the current strategy.

Board powers. It is thus apparent that the Board must be the driving power in making this plan work. The charter lays out the foundation for Board powers including voting methods, meeting attendance as well as the following three important roles:

1. Approval of a plan of activities to members
2. Approval of an operating budget for members
3. Appointment and release of the Executive Director

In order to adequately revise the charter, a legal specialist is required to analyze the new plan and requirements to determine what issues must be addressed.

Board of directors

The Board currently consists of nine active members who meet on a regular basis. However, attendance at meetings and follow through on responsibilities has been sporadic in the past. A

recent surge of interest resulted in the formation of four working groups meant to revive the Society. These groups will be called upon to be the main driving forces in the implementation of this plan and cover the following strategic areas:

1. Usage of certification mark
2. Creation of independent laboratory
3. Promotion of Mongolian cashmere
4. Financial issues (fee structure)

This plan lays out recommended strategies in each of these four activity areas. It is the Board of Directors' responsibility to drive the Society forward. Once an appropriate Executive Director is put into place, much of the operational burden will be relieved and the Board will return to its longer term role as overseer.

Dynamic leader

First and foremost, the Fibermark Society requires a forward-thinking and energetic leader to be its Executive Director/CEO (exact title to be determined). The candidate must possess certain qualities including being independent from conflict of interest, being a collaborative leader, the highest level of integrity, language skills as well as knowledge of both the domestic and international cashmere market and important players.

The Executive Director's independence from conflict of interest is highly important but also may pose a challenge in recruitment. Fibermark Society's leader must have no financial or personal interest in any particular cashmere company along the value chain. In addition, the Executive Director must not be distracted by political ambitions or interests, so as to pursue the Fibermark Society's interest above others. He or she must not be perceived to be favoring any on stakeholder or another. It may be difficult to obtain such an independent figure but best efforts should be made.

Collaboration among cashmere stakeholders is essential to effective implementation of this plan. The Executive Director must possess the command and personal charisma to drive this team effort. He or she must listen and understand all relevant positions and move the Society toward greater goals.

Familiarity and experience with the international market will be essential tools for the Executive Director. Language skills including English and possibly Italian and Japanese would be recommended. The position will require frequent interaction with international stakeholders; this, professionalism in this regard is crucial.

While the candidate may be of any nationality, it is most like to be a Mongolian, due to several factors. First of all, the available pay scale would most likely be too low for an expatriate. In addition, familiarity with and trust from the local market will be easier to obtain from a locally based leader committed to living in the country long term.

Recruitment for this candidate will be a difficult though crucial endeavor in the implementation of this business plan. By the Fibermark Society charter, this is the responsibility of the Board of Directors.

Once the Board has completed the recruitment and contracting for the position, it is then the Executive Director's responsibility to implement and report on the strategic plan for the Fibermark Society.

The Executive Director's responsibilities will include:

- Oversee marketing and promotional activities
- Report to the Board on a regular basis

- Maintain key relationships with international cashmere organizations and other stakeholders
- Manage Fibermark Society staff
- Oversee budget and funding requirements
- Publicly represent the Mongolian cashmere industry both domestically and internationally
- Approve all new programs and services of the Society
- Manage special projects including the creation of an independent testing laboratory for cashmere in Mongolia

Staffing plan

With a strong Executive Director in place, implementation of the plan will require additional manpower. The following staffing structure is recommended for most effective results. At launch of this business plan in September 2008, a marketing and licensing manager, a bookkeeper and an administrative assistant are to be hired. In 2009, a member and public relations manager will be necessary. Job descriptions are suggested as follows:

Marketing and licensing manager. This hire will support the CEO's activities as it relates to the important areas of marketing and licensing. Particularly as it relates to coordinating marketing activities, this job will require intensive contact with members as they participate in local or international marketing events. This may also require communicating with international marketing partners who may be managing or funding activities. A dynamic personality is essential; this candidate should possess a university degree, good English skills and at least ten years experience in the cashmere or related fiber marketing.

Member and public relations manager. As the Society moves into year two of its plan, members services are expected to become more sophisticated and broad. This will require a communications strategy to keep members informed, active and contributing to the Society's efforts. This manager will also be responsible for expanding membership beyond the base group, as well as strategizing or revising membership fee structures. A dynamic personality is essential in this position as well; in addition, this candidate should possess a university degree, good English skills and at least ten years experience in communications and public relations.

Bookkeeper. This position's ultimate responsibility is to keep and report regular and transparent financial accounts. This person will monitor accounts payable and receivable, maintain accounting updates (via Quickbooks or other software). The bookkeeper will report directly to the Executive Director as this is the key link in guiding the financial strategy as well as keeping the transparency of the organization. Reports to be presented at every Board meeting are recommended. The candidate should possess a university degree, good English skills and at least five years in financial management experience; cashmere experience or interest is also recommended.

Administrative assistant. The Society's success is based highly upon communication with stakeholders and coordinating activities. Thus, a highly effective and organized office manager is necessary. The candidate should possess good English skills and at least five years in office management; an interest in cashmere experience is also desirable.

Table 3: Recruitment schedule

	2008	2009	2010
Executive director	X	X	X
Marketing and licensing manager	X	X	X
Member and public relations manager		X	X
Bookkeeper	X	X	X
Administrative Assistant	X	X	X

The Executive Director is responsible for implementation of the staffing place under the guidance and approval (as delegated in the charter).

SECTION V: CORPORATE GOVERNANCE

For the set up and operation of the Fibermark Society a comprehensive corporate governance structure is required. This section lays out guidelines for the development of these statutes. A local legal specialist will be contracted to ensure that the necessary structures are in place and that they conform to Mongolian laws.

The following sections lay out the major principles necessary in a corporate governance structure.

Mission and vision

The Board is ultimately responsible for reviewing the Society's effectiveness in satisfying its mission. This typically will include:

- Evaluating and modifying the mission of the Society;
- Periodically assessing the Society's performance and effectiveness in achieving its mission;
- Creation of measurement goals to evaluate success in achieving its mission; and
- Request periodic reports from the CEO on performance in achieving the mission.

The Board should document all review of the Society's activities in the Board meeting minutes. The Board should also stay informed regarding material developments in the laws governing such non-governmental organizations.

Board governance

By majority vote, the Board must decide up front on the structure of governance for the Society. This includes the following issues:

- Election of a Chairman to oversee meetings;
- Board size, director terms and term limits;
- Standards for Board member qualifications;
- Meeting and voting rules of the Board
- Working group designations and subjects
- Number, structures and membership of committees;
- Committee assignments and rotation of members;
- Board member orientation and continuing education;
- CEO succession policies and candidates;
- Changes to corporate organizational documents; and
- Other governance policies and procedures.

With this governance structure in place, the necessary tools for oversight are in place.

The board and CEO oversight obligations

Importantly, the Board must establish an appropriate balance between the CEO and Board Chairman by clearly articulating roles. The Board currently has four Working Groups in place, which shall remain functional until as the Board (by majority vote) deems necessary.

The Board should commit to the active, informed and independent oversight of the Society's business affairs and of senior management. In addition to the governance clauses above, this includes the following major provisions.

- *Disclosure.* Individual directors should disclose to the Board all information and analyses of which they become aware that may be relevant to the exercise of the Board's oversight obligations. The Board should require similar disclosure by members of senior management.
- *Access to staff and consultants.* The Board members should have reasonable access to all officers, senior executive employees and professional advisors of the Society. Any such access should be arranged through the CEO or the CEO's designee.
- *CEO recruitment.* The Board should be responsible for recruitment, selection and contract negotiation with as well as the evaluation of the CEO and for each staff hire. (If deemed necessary, an Executive Compensation Committee may be formed.)
- *Protection from conflict of interest.* A written conflict of interest policy should be adopted that complies with existing Mongolian law requirements. Potential or actual conflicts of interest and any other questionable transactions between the Society and a senior executive officer will be disclosed to the Board by any member or staff who becomes aware of such an occurrence. In addition, confidentiality clauses should be adopted to help preserve proprietary information, assets and business interests of the Society. The Board should work with a Mongolian legal specialist to create the necessary structure.

Financial accountability and transparency

The Board (working with appropriate working group) should be responsible for ensuring transparency and integrity of corporate financial statements, whether audited or unaudited. The Society must make best efforts to provide quarterly audited financial statements.

Financial information concerning the Society should be prepared in accordance with generally accepted accounting principles, should be available to the Board or Society members on request. The Board should ensure the consistency of expenditures including appropriate allocation as determined to be prudent given the Society's financial condition, short- and long-term needs. This includes monitoring of administrative/overhead expenses spent in connection with mission-related activities (through quarterly reports).

The Board and finance working group should be responsible specifically for:

- Adoption of policies addressing selection of auditors, proper accounting treatment of transactions or off-balance sheet arrangements and any other related party transactions;
- Adoption of policies prohibiting executive interference with the audit process;
- Approval of all loans, credit extensions and incentive compensation arrangements extended to directors and officers of the Society; and
- the adoption of a "Code of Ethics" for the senior financial officers of the Society;
- In consultation with legal counsel, ensuring the sufficiency, clarity and timeliness of all financial disclosures of the Society.

The audit committee

The Board shall serve as standing Audit Committee and is authorized to hire and terminate the Society's outside auditors and to establish the terms of the outside auditor's engagement.

The Board takes responsibility for reviewing and commenting on the adequacy of the Society's financial disclosure and internal controls.

Board deliberative processes

The Board should adopt governance policies and procedures that assist individual Board members in making informed decisions in the best interests of the Society. This should include policies and procedures addressing:

- Establishment of meeting agendas and method of advance distribution of information
- Expectations of directors, including expected time commitments and attendance obligations of directors
- The periodic rotation of committee chairs and membership

Fund-raising accountability

The Board is ultimately responsible for ensuring the accuracy and completeness of the Society's communications to the members in fund-raising activity.

A Mongolian legal specialist is necessary to adapt the recommended structure and implement the required legal framework. In the meantime, the guidelines set above should guide Board governance.

SECTION VI: FINANCIAL PLAN 2008-2010

Fibermark Society will sustain itself through a combination of catalytic donor funding and fees. As the Society proves itself to be a crucial partner in the promotion and expansion of Mongolian cashmere, it will achieve independent financial sustainability finance entirely by the industry.

The first section below describes the administrative budget costs proposed through 2010. The second lays out the potential fee and revenue sources that the Fibermark Society stands to collect. A sustainability plan is then proscribed to project the financial plan for funding of core operations through 2010.

Two additional projects are proposed which are not fully included in this budget: one to build and operate a certification laboratory, and the other to implement international marketing and promotion activities. This plan identifies outside funding sources for these sets of activities and described below the projected costs for each.

Administrative budget

The proposed budget begins in January 2008 with the hire of the Executive Director, an assistant and an accountant. Limited equipment and offices costs are budget sufficiently to equip the infrastructure to launch the new business plan. Over all assumptions include a 5% inflationary increase per year where appropriate (pre-arranged contract costs are not subject to inflation).

- **Salaries.** This includes base salaries for each of the positions as defined in the staffing plan. In addition 30% in fringe benefits and allowances include health insurance and other such employee coverage. Lastly 19% is included for social security calculated on salary and allowances.
- **Overhead.** Current office space is deemed acceptable for the short run and is thus budgeted at the current rate. Office expenses include consumables, communications, stationery and fuel. Board allowances cover cost for Board meetings and related travel. Bank fees are likely to be charged for wire transfers or other necessary financial transactions.
- **Equipment.** One laptop is budgeted for each new hire, with the exception of one desktop for the administrative assistant which has already been purchased and sits in the office.
- **Legal costs.** Legal services will be outsourced to a local law firm or local when possible, though international experience may be needed. Start up costs will be necessary to adjust the bylaws and charter of the Fibermark Society to suit the new implementation plan. The process of developing the certification and acquiring sufficient trademark protection are important to secure the legal standing of Mongolia's competitive advantage. Ongoing legal costs of \$10,000 per year are estimated to maintain protection in forthcoming years.

Table 4: Summary Budget Expense 2008-2010

Activities	2008	2009	2010
Salaries	39,294	54,903	57,648
Overhead	11,769	12,220	12,693
Equipment	5,000	2,000	2,100
Legal costs	22,000	20,000	18,000
Cost of licenses	1,000	3,000	4,000
Marketing activities	29,000	33,750	35,438
Training programs	5,000	32,000	45,000
Total Projected 2008-2010	113,063	157,873	174,879

- **Cost of licenses.** When the Fibermark Society begins to issue licenses to producers, the processing will cost an estimated US\$0.01 per unit. This is an estimated that will be updated upon experience during implementation.
- **Marketing.** The Fibermark Society will fund a set of core marketing activities; international partner funding is expected to fund major promotional activities (see special project funding below). The Executive Director or selected managers of the Society will attend an average of two conference and market research programs per year. Marketing material, local events and advertising budgets are also estimated. Web site monthly costs remain consistent with the past service rate.
- **Training.** Core programs in certification, marketing and productivity methods are budgeted. Co-share arrangements with members or with partners will be explored to cover costs and enable additional activities.
- **Laboratory.** The certification laboratory will be funded separately as an independent entity. Fibermark Society may take an ownership interest in the lab; but all expenses will be classified separately and thus do not appear on this budget.

Revenue sources

Primary revenue sources for the initial business plan will be focused upon membership fees and license fees. In the future, the Society may also charge for other services including training programs, marketing assistance, market intelligence, etc.

Membership fees. Members will be required to pay annual fees; rates will depend upon size and nature of the business. Size depends upon value turnover of the company, \$8 million for large, \$5 million for medium and \$2.5 million for small. The proposed fee for large members is \$1,200 per year, while medium members pay \$600 per year and small members and non-voting medium members is \$200. Retail stores are eligible to become members for a fee of \$200 per year.

Large and medium members are eligible to be voting members. While other members are eligible to receive all other benefits, they are not eligible to become voting members unless they reach a certain level of turnover and pay the higher membership fee.

Table 5: Membership Fees

	2008	2009	2010
<i>Voting members</i>			
Number-large	6	10	10
Fee-large	1,200	1,200	1,200
Number-medium	10	20	30
Fee-medium		600	600
<i>Non-voting members</i>			
Number-medium	10	20	30
Fee-medium		200	200
Number-small/retail stores	15	20	25
Fee-small/retail stores	200	200	200
Subtotal	10,200	32,000	41,000

Membership benefits include: reduced application and renewal fees to apply the certification trademark to their products, access to the Fibermark Society web site and market information and other communications published in this domain. In addition, members will have access to training, sourcing and other programs as they develop.

License fees. License fees include three areas: application fees, annual renewal fees and per unit certification fees.

Application fees cover the cost of re-processing a licensee's compliance with certification standards. These will be finally determined during the launch phase of this business plan.

Table 6: Application fees

	2008	2009	2010
Number - members	16	30	40
Fee	100	300	300
Number - non-members	35	60	85
Fee	600	600	600
Subtotal	22,600	45,000	63,000

Renewal fees apply to licensees who already successfully hold licenses. A yearly inspection is necessary to certify that the process and standards are still in compliance.

Table 7: Renewal fees

	2008	2009	2010
Number - members	-	16	30
Fee	400	400	400
Number - non-members	-	35	60
Fee	600	600	600
Subtotal	-	27,400	48,000

Once a licensee has paid their one time application and annual renewal fees, they are eligible to apply the Fibermark Society label to their products. Two types of label are available the 100 percent cashmere and the cashmere blend (at least 50 percent). In return for the small fee paid per unit, the producer receives a label or swing tag (to be determined) that they may affix to their product. Accessories (such as scarves, gloves) are subject to a \$US 0.02 fee per unit, while knitwear and fabric is charged \$US 0.10 per unit or per meter for fabric.

Table 8: Per unit certifications distributed

	2008	2009	2010
<i>Members</i>			
Number of accessories	100,000	300,000	400,000
Fee	0.02	0.02	0.02
Number of knitwear/fabric units	100,000	300,000	400,000
Fee	0.10	0.10	0.10
Subtotal	12,000	36,000	48,000
<i>Non-members</i>			
Number of accessories	25,000	75,000	100,000
Fee	0.20	0.20	0.20
Subtotal	6,000	18,000	24,000
Total	18,000	54,000	72,000

Licensing is expected to be a significant source of funding for the Fibermark Society in the long term. Revenues from this area alone are expected to grow to an annual level of \$72,000 per year in 2010 (which could easily cover operating costs).

Note that processing of fees for the cashmere testing facility may also be passed through the Fibermark Society. The per unit cost estimate is \$0.50, of which the Fibermark will retain its portion (\$0.10 or \$0.02 in the proposed scenario above).

International donor financing

In order to cover launch of the Fibermark Society and full development of its institutional capabilities and members services, outside financial assistance is required in the first three years through 2010. This business plan proposed a combination of donor and government assistance to complement the support provided by members through fees.

\$50,000 in additional donor funding could come from other parties including possible the Asian Development Bank or the European Union. The ADB is undertaking a portfolio of new branding and certification initiatives, which would be complemented by the existence of the Fibermark Society as a reliable industry counterpart. The European Union has also recently committed to increasing support for certification and standards creating initiatives; funding is being explored from this source. This business plan will serve as a basis for soliciting such support.

In the proposed financial plan, the \$50,000 support is structured as a loan to be repaid by end of 2010.

Table 9: International financing partners

	2008	2009	2010
Partner A	12,500	-	
Partner B	50,000	-	(50,000)
Subtotal	62,500	-	(50,000)

Past 2010, the Fibermark will pursue outside assistance for additional training, marketing and other programs as necessary. Basic operations should be comfortably covered, however, by fees for services.

Core operations sustainability plan

Core Fibermark Society expenses must be sustained by the defined revenue sources and promised international partner support. Financial commitment from members and projected revenue from licenses are projected to sufficient to partially cover costs. Outside donor funding is also needed to cover necessary start up in the first three years.

The table below demonstrates the cash flow position of the Society through 2010. Budget spending for the year is subtracted from donor funding and revenue to calculate the difference in the cash position at the end of the year. (Donor support is assumed to be deposited at the beginning of the year.) The end of year cash balance is listed in row four as a cumulative figure.

Table 10: Sustainability assessment

	2008	2009	2010
Beginning balance	364	601	1,129
Projected income/funding	113,300	158,400	174,000
Projected budget spending	113,063	157,873	174,879
Difference	237	527	(879)
Cumulative Surplus/Deficit	601	1,129	250

Special projects

The promise of donor support for special projects gives members extra incentive to fund the Fibermark Society. Industry collaboration is essential to the design of these two project areas. Donors have expressed that it is best to work with an organized association with active and cohesive membership. This facilitates communication and roll out of programs.

Two specific projects on the table are 1) the creation of an independent certification laboratory and 2) an international branding and promotion campaign. The Fibermark Society is preparing proposals to potential funders to implement activities in both of these areas.

The marketing/promotion and independent testing laboratory plans are described in sections above. The following pages detail a comprehensive financial plan for the Fibermark Society.

ANNEX A: FIBERMARK SOCIETY SUMMARY FINANCIALS 2008-2010

ANNEX A: FIBERMARK SOCIETY SUMMARY FINANCIALS 2008-2010

Table11. Mongolia Fibermark Society - 3 year Projection - Summary Financial

INCOME	2008	2009	2010
1.International Partners	62,500	-	(50,000)
2. Membership Fees	10,200	32,000	41,000
3. Application/Renewal Fees	22,600	72,400	111,000
4. Brand Certification Marks	18,000	54,000	72,000
Total	113,300	158,400	174,000
EXPENSES	2008	2009	2010
Salaries	39,294	54,903	57,648
Overhead	11,769	12,220	12,693
Equipment	5,000	2,000	2,100
Legal costs	22,000	20,000	18,000
Cost of licenses	1,000	3,000	4,000
Marketing activities	29,000	33,750	35,438
Training programs	5,000	32,000	45,000
Total	113,063	157,873	174,879
Sustainability Assessment			
Beginning balance	364	601	1,129
INCOME	113,300	158,400	174,000
EXPENSES	113,063	157,873	174,879
Difference	237	527	(879)
Cumulative Surplus /Deficit	601	1,129	250

Table 12. Mongolia fibermark society income/revenue 2008-2010

	2008	2009	2010
1. Investors			
USAID	12,500	-	-
International partners	50,000	-	(50,000)
Subtotal 1,	62,500	-	(50,000)
2. Membership fees			
<i>Voting members</i>			
Number-large	6	10	10
Fee-large	1,200	1,200	1,200
Number-medium	10	20	30
Fee-medium		600	600
<i>Non-voting members</i>			
Number-medium	10	20	30
Fee-medium		200	200
Number-small/retail stores	15	20	25
Fee-small/retail stores	200	200	200
Subtotal 2,	10,200	32,000	41,000
3. License application/ Renewal Fees			
<i>Application fees</i>			
Number - members	16	30	40
Fee	100	300	300
Number - non-members	35	60	85
Fee	600	600	600
Subtotal	22,600	45,000	63,000
<i>Renewal fees</i>			
Number - members		16	30
Fee	400	400	400
Number - non-members		35	60
Fee	600	600	600
Subtotal		27,400	48,000
Subtotal 3,	22,600	72,400	111,000
4. Brand Certifications (per unit royalty/processing fee for 100% and Blend)			
<i>Members</i>			
Number of accessories	100,000	300,000	400,000
Fee	0.02	0.02	0.02
Number of knitwear/fabric units	100,000	300,000	400,000
Fee	0.10	0.10	0.10
Subtotal	12,000	36,000	48,000
<i>Non-members</i>			
Number of accessories	25,000	75,000	100,000
Fee	0.20	0.20	0.20
Subtotal	6,000	18,000	24,000
Subtotal 4,	18,000	54,000	72,000
Total funding	113,300	158,400	174,000

Table 13. Fibermark society expenses 2008-2010

ACTIVITIES	2008	2009	2010
1.Salaries			
Executive Director	12,000	12,600	13,230
Marketing & Licensing Manager	8,400	8,820	9,261
Member Relations Manager	-	8,820	9,261
Accountant	4,200	4,410	4,631
Administrative Assistant	800	840	882
Base salaries	25,600	35,490	37,265
Allowances	7,620	10,647	11,179
Social security (19% on salaries and allow.)	6,274	8,766	9,204
Subtotal	39,294	54,903	57,648
2.Overhead			
Rent	2,069	2,172	2,281
Stationery & offices suppliers	1,200	1,260	1,323
Telephones, faxes and e-mail	1,200	1,260	1,323
Fuel	1,800	2,835	2,977
Consumables	480	504	529
Board allowances	900	945	992
International travel	2,500	2,500	2,500
Bank fees	600	630	662
Miscellaneous (10% on overhead)	1,070	1,111	1,154
Subtotal	11,769	12,220	12,693
3. Equipment			
Office equipment (2 laptops, etc)	5,000	2,000	2,100
Subtotal	5,000	2,000	2,100
4. Legal Costs			
Start up (incorporation, etc.)	2,000	-	-
Certification/IP	10,000	10,000	8,000
Ongoing	10,000	10,000	10,000
Subtotal	22,000	20,000	18,000
5. Cost of processing licenses			
Upfront	-	-	-
Number of licenses	50,000	150,000	200,000
Cost	0.02	0.02	0.02
Subtotal	1000	3,000	4,000
6. Marketing			
Conferences	5,000	5,000	5,250
Marketing trips	5,000	5,250	5,513
Web site	5,000	4,850	5,093
Press releases (international)	5,000	5,250	5,513
International advertising (trade)	5,000	5,250	5,513
Marketing material (e.g. brochures)	3,000	3,150	3,308
Local public events (4x per year)	1,000	5,000	5,250
Subtotal	29,000	33,750	35,438
6. Training Programs			
Certification	5,000	12,000	15,000
Productivity	-	10,000	15,000
Marketing	-	10,000	15,000
Subtotal	5,000	32,000	45,000
TOTAL PROJECTED 2007-2010	113,063	157,873	174,879

ANNEX B: WORK PLAN

ACTIVITIES	2007		2008				2009				2010				HUMAN RESOURCES
	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	
Expand domestic membership to 20			X												
Expand domestic membership to 30							X								
Expand domestic membership to 40											X				
Key Results															
<ul style="list-style-type: none"> • Strategy and implementation plan agreed and launched • Funding plan operational • Staffing configuration implemented • Revenue sources agreed and program launched 															
2. Brand Management															
Define standards															
Establish working group to define standards	X														
Standards defined		X													
Communicate standards to membership															
Intellectual property protection (legal)															
Acquire trademarks in major markets															
Explore additional legal arrangements															
Distribution, tracking and monitoring															
Identify short term certification process		X	X												
Integrate laboratory into certification process						X	X								
Public relations/industry partnerships															
Identify and contact international partners		X	X												
Key Results															
<ul style="list-style-type: none"> • Established Mongolian cashmere brand management plan • Key relationships in place to protect and promote brand 															
3. Certification Laboratory															
Perform feasibility study			X												
Identify potential financing sources			X												
Tender for construction of laboratory			X												

ACTIVITIES	2007		2008				2009				2010				HUMAN RESOURCES
	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	
Construct laboratory				X	X										
Identify workflow to integrate laboratory into certification process					X										
Integrate laboratory into certification process						X	X								
Key Results															
<ul style="list-style-type: none"> • Functioning independent certification laboratory • International recognition for dependable testing 															
4. Marketing/Promotions															
Event 1															
Event 2															
Event 3															
Campaign 1															
Campaign 2															
Campaign 3															
Key Results															
<ul style="list-style-type: none"> • XXXXXXXXXXXX • XXXXXXXXXXXX 															
5. Training															
Subject area 1															
Subject area 2															
Subject area 3															
Subject area 4															
Key Results															
Improved productivity of Mongolian producers															
Integration of new Mongolian producers into the export value chain\															